D.T.E. 03-121
Attachment NEDGC-4-3 (d)

Information Request DTE1-6

Please explain whether the Transmission Capacity Charge proposed in the service agreement is consistent with the Company's most-recent FERC-approved transmission tariff (Agreement at 5). Please identify the relevant FERC transmission tariff.

Response

The Transmission Capacity Charge is consistent with FERC-approved transmission tariffs. The advent of customer choice for power supply has led to the subsequent unbundling of retail rates into FERC jurisdictional transmission rates and Department jurisdictional distribution rates. Commonwealth and all other Massachusetts electric utilities have implemented FERC-approved transmission tariffs for retail customers by assuming that transmission service under these tariffs is provided for each utility's aggregate retail load, not individual customer loads. Utilities then allocated the required aggregate transmission revenue to individual rate classes based upon standard cost allocation principles. Transmission service provided under the Agreement with Southern Canal falls under Commonwealth's aggregate retail load umbrella and should be viewed as any other retail load with regard to consistency with FERC-approved transmission tariffs. [Thus, Commonwealth believes that the Department has the authority to approve the entirety of the Agreement including transmission related charges.]

In terms of rate design, as explained in the Company's filing, the service provided under this Agreement is for the delivery of emergency back-up station service power to be provided when the Canal Units are unexpectedly out of service. The timing and pattern of this load is unpredictable and intermittent. Thus, it does not lend itself to standard rate design applications. Consequently, Commonwealth has designed a daily Transmission Capacity Charge which more closely matches costs and revenues for this service.

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